



The World Bank

Migration and Remittances

AT A GLANCE:

- International migration—the movement of people across international boundaries—has enormous implications for growth and welfare in both origin and destination countries.
- More than 200 million people live outside their countries of birth. Income differentials, as well as political and demographic forces, have the strongest effect on migration patterns. The major issues surrounding migration include how to minimize the disruptive effects of large-scale international migration and how to enhance its development impact.
- Remittances to developing countries are estimated to have increased by 6 percent to \$325 billion in 2010. This marks a healthy recovery from a 5.5 percent decline registered in 2009.
- Remittances amounted to 1.9 percent of GDP for all developing countries in 2009, but were nearly three times as important (5.4 percent of GDP) for the group of low-income countries..
- Research suggests that the economic gains from migration for both developed (receiving) and developing (sending) countries are significant, even for relatively small increases in the workforces of countries that are part of the Organization of Economic Cooperation and Development (OECD), and that relative gains are much higher for developing-country households than rich-country households.
- Massive migration of highly skilled citizens—the so-called "brain drain"—poses troubling dilemmas mainly for some smaller low-income countries. For example, eight of 10 Haitian- or Jamaican-born college graduates live abroad.
- Remittance flows represent the largest source of foreign exchange for numerous countries.
- Governments should treat remittances like any other source of private income. Remittances are private transactions; they should not be thought of as a substitute for debt or aid flows.
- Reducing the cost of remittance transfers produces significant benefits to the migrants' families. In addition to raising consumption levels, the steady stream of foreign currency improves a country's creditworthiness for external borrowing.
- The World Bank publishes a comprehensive dataset on remittances flows across the world, as well as monthly remittances data for 22 countries and remittance prices for 178 remittances corridors (from 24 major remittance sending countries to 85 receiving countries).
- World Bank efforts to improve migration data include developing the most comprehensive database on skilled migration to date, based on census and survey data from OECD countries and—in collaboration with the United Nations Population Division—a bilateral matrix of global migration flows, including South-South migration and various extensions along gender and age-of-migration dimensions.

Overview

Migration has attracted increased interest among policymakers, due to both the recent growth in remittance flows and the migration-related concerns in both developed and developing countries. Insights that have emerged on migration and remittances include the following.

- Income differentials, as well as political and demographic forces, have the strongest effect on migration patterns. When permitted, migration is a major economic equilibrating mechanism.
- International migration boosts world incomes. By allowing workers to move to where they are

- more productive, migration results in an increase in aggregate output and income.
- Remittance rates tend to vary with the transaction costs as well as with the extent of need, that is, the income gaps between family members in the host and home countries.
 - Remittances generally reduce the level and severity of poverty.
 - Remittances frequently lead to higher human capital accumulation, investment, and entrepreneurship; reduce child labor; and help households to be better prepared for adverse shocks such as droughts and cyclones.
 - The brain drain exhibits significant regional differences and dynamics, with more serious implications for economically isolated and smaller low-income countries.
 - Diasporas can be an important source of trade, capital, technology, and knowledge for their countries of origin.

World Bank Initiatives on Migration and Remittances

The World Bank's initiatives on migration and remittances focus on issues such as the determinants of migration, the impact of migration and remittances on economic growth and development, brain drain, temporary movements of people, the link between trade, foreign direct investment (FDI) and migration, social protection, and governance.

The World Bank research program on migration aims to identify and analyze the development impact of migration so as to identify policies, regulations, and institutional reforms in both receiving and sending countries that will lead to superior development outcomes. Areas of research include host country and sending country migration policies, and the impacts of migration; the brain drain and diaspora on human capital; fertility; productivity growth; provision of health care services; and institutional development. Complementing this is an active work program on remittances that aims to improve existing remittance data, reduce transaction costs, and enhance the integrity of money transfer systems.

The World Bank has been actively engaged in efforts to develop global policy coherence on the treatment of migration via greater partnerships and coordination. It co-chaired (with the Bank for International Settlements) a taskforce for international coordination of remittance payment systems. Along with several other international organizations, the World Bank is a member of the Global Migration Group. It has also provided technical inputs to the G-20's Study Group on Labor Mobility and Demographics and contributed to a paper for the G-20 meeting in September 2009 featuring remittances. It was closely involved with the meetings of the Global Forum on Migration and Development held in Brussels (2007), Manila (2008), and Athens (2009). It is supporting the Civil Society Days and the Government meetings in the fourth meeting in Puerto Vallarta, Mexico in November 8-11, 2010.

In July 2008, the G-8 countries (at the Hokkaido Toyako summit) invited the World Bank to facilitate and coordinate a Global Remittances Working Group (GRWG). GRWG is a multi-year platform aiming to facilitate the flow of remittances by providing guidance and policy options to the global community. The working group has set a goal of reducing the cost of remittances by five percentage points in five years. The working group's recommendation received strong support at the G-8 Heads of State Summit in L'Aquila in June 2009. Going forward, the GRWG will also address other key areas such as the Interactions with Migration and Development and Access to Finance. The working group held a conference in Rome in November 2009 and a workshop in April 2010.

Economic and sector work on migration and remittances has been undertaken in several regions, including (a) regional studies on Latin America and the Caribbean, Eastern Europe and Central Asia, the Middle East and North Africa, and East Asia and the Pacific; (b) prospective diagnostic studies on good practices and the capacities of governments to manage migration; and (c) country assistance strategies in Albania, Bangladesh, Moldova, Nepal, South Africa, the Philippines, and Tajikistan, among others.

Together with the African Development Bank, the World Bank has established a multi-donor trust fund for studying migration, remittances, and development in Sub-Saharan Africa. Migration and remittances-focused surveys of households, central banks, remittance service providers, embassies and diaspora organizations have been conducted as part of the project. The World Bank has also carried out evaluations of the development impact of seasonal worker programs in the Pacific. The World Bank has also undertaken two major regional studies of cross-border labor mobility, remittances and development in East Asia and Pacific and in South Asia.

In February 2010, the World Bank's Europe and Central Asia region launched a Migration and Remittance Peer Assisted Learning (MIRPAL) network covering nine CIS countries to facilitate exchange of information between practitioners and to provide technical assistance in data collection, analytical work and policy support. In June 2010, the World Bank, in partnership with the European Commission, the African Development Bank, and the International Organization of Migration, assisted the African Union Commission to create an African Remittance Institute. The World Bank has also launched a Future of African Remittances (FAR) Program designed to reduce the cost of remittances, increase the availability of financial products linked to remittances, and increase the flow of remittances through formal channels. The Bank's African Diaspora program is supporting African governments to develop policies and programs to engage their diaspora communities. The World Bank-supported Marseille Center for Mediterranean Integration (CMI) is studying experiences of migration management interventions and portability of social benefits for migrants. The International Finance Corporation (IFC) has provided \$30 million debt financing for an innovative funding approach that leverages the significant remittances of El Salvadorans working abroad to increase lending to micro-entrepreneurs and low-income people in the country.

Peplemove remains a widely read blog on migration, remittances, and development (see <http://blogs.worldbank.org/peplemove>). The World Bank was an active participant in the Second High-Level Roundtable on reducing the cost of remittances in the Pacific (July 2008). Following the successful launch of the "Innovative Financing for Development" book in October 2008, the World Bank has been assisting countries in mobilizing resources from the diaspora via diaspora bonds. The Bank organized a session on remittances at the Small States Forum at the Bank-IMF Annual Meetings in October 2009. A Bank representative was invited by the World Economic Forum to be a member of its Global Agenda Council on migration in Dubai in November 2009 and Doha in June 2010. The World Bank is establishing a research consortium with several universities in Africa, Asia and Europe.

The diaspora can play an important role in development. To discuss how it can do so, the Bank, hosted an international conference in Washington DC in July 2009 attended by more than 200 participants. In September 2009, it hosted an international research conference, in Washington DC, that brought together more than 100 academics and researchers to discuss the development impact of migration.

In July 2010, the World Bank created a Migration and Remittances Unit to support Regions and Networks in mainstreaming migration and remittances into the World Bank's operations and country strategies, to act as a knowledge center for the Bank on migration, and to facilitate and support the Bank's participation in global initiatives.

Recent World Bank Publications on Migration and Remittances

- *Migration and Remittances Factbook* (2011) provides a snapshot of migration and remittances for all countries, regions, and income groups in the world. It is available online at www.worldbank.org/migration.
- *Migration and Development Brief* series, which examines current themes of interest. The latest, published in July 2009, discussed global remittance trends and the impact of crisis on remittances.

- *Migrant Remittance Flows: Findings from a Global Survey of Central Banks* (April 2010) draws on responses from 114 central banks worldwide (33 of which are in Africa) to better understand how central banks and other national institutions regulate and collect data and other information on cross-border remittance flows. It highlights areas for policy reforms and initiatives, including the need for more frequent and better coordinated data collection, taking into account emerging channels and technologies such as mobile phone service providers, and reducing high remittance costs, the top cited factor inhibiting migrants from using formal channels.
- *Innovative Financing for Development* (2009) outlines various recent innovations in international finance that allow developing countries to tap global capital markets in times of low-risk appetite, thereby reducing their vulnerability to booms and busts in capital flows. Diaspora bonds, financial instruments that can tap the wealth of the diaspora, are discussed in this book.
- *Shaping the Future: A Long-Term Perspective of People and Job Mobility for the Middle East and North Africa* (2009), finds that there will be large demographic and labor force imbalances, which may lead to a sharp acceleration of job and labor mobility. It develops a policy framework to help both sending and receiving countries start preparing now to weather future imbalances.
- *Remittances and Development: Lessons from Latin America* (April 2008) examines the profile of remittance recipients, and finds that some of the positive effects of remittances include improvements in education and health indicators, higher savings, increased macroeconomic stability and entrepreneurship, and reductions in poverty and social inequality.
- *The International Migration of Women* (2007) assesses the state of the research in this area, and presents studies on the determinants of female migration from Mexico as well as studies on the impact of women's migration in Ghana and Mexico. It also examines labor market participation rates and performance of female migrants in the United States.
- *International Migration, Economic Development & Policy* (2007) presents a global database on bilateral migration; four studies of the effects of migration and remittances on El Salvador, Pakistan, 12 Latin American countries, Morocco, Egypt, and Turkey; an examination of host country migration policies in Switzerland and New Zealand and their impact on migrants; and studies on return and circular migration.
- *South-South Migration and Remittances* (2007) reports that nearly half the migrants from developing countries live in other developing countries and nearly 80 percent of South-South migration is between countries with contiguous borders. South-South remittance costs are even larger than those of North-South remittances. Accompanying the report is a dataset on bilateral migration stocks and remittance flows for 212 countries.
- *At Home and Away: Expanding Job Opportunities for Pacific Islanders through Labor Mobility* (2006) details the need and manageability of temporary migration schemes for citizens of small remote islands in the Pacific. The report analyzes whether it is possible to design practical labor mobility programs that balance the benefits of migration with the concerns of sending and receiving countries. A pilot scheme is being implemented for temporary seasonal unskilled labor migration between some Pacific countries (Vanuatu and Tonga) and a neighboring high-income country (New Zealand) that wants workers and is interested in developing the Pacific region.

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